

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

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R 191315Z SEP 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3637

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E.O. 11652: N/A

TAGS: EGEN, AR

SUBJECT: CONSUMER PRICE INDEX: AUGUST

1. BEGIN UNCLASSIFIED. NATIONAL STATISTICAL INSTITUTE REPORTS
CONSUMER PRICE INDEX FOR AUGUST INCREASED BY 0.8 PERCENT. INDEX
SINCE JANUARY 1 THUS UP 29.2 PERCENT, AND 58.4 PERCENT INCREASE
REGISTERED SINCE AUGUST 1972. FOR COMPARISON, JULY TO JULY INCREASE
WAS 57 PER CENT AND MAY TO MAY RATE 78 PERCENT.

2. FOUR OF FIVE CATEGORIES MAKING UP INDEX INCREASED IN AUGUST;
FOOD UP 0.6 PERCENT, CLOTHING UP 0.7 PERCENT, GENERAL EXPENDITURES
UP 1.4 PERCENT AND HOUSEHOLD SUPPLIES UP 2.6 PERCENT. FIFTH
CATEGORY, HOUSING, REMAINED UNCHANGED. END UNCLASSIFIED

3. INCREASE IN FOOD PRICES WAS FIRST IN THIS CATEGORY SINCE NEW
PRICE POLICY IN EFFECT, AND DUE PRINCIPALLY TO HIGHER PRICES FOR
MEATS OTHER THAN BEEF, WHICH SUBJECT TO FIXED PRICES, AS WELL
AS FISH. SUCCESS OF PRICE POLICY UP TO NOW BASED LARGELY ON ENFORCED
REDUCTIONS IN FOOD PRICES SUFFICIENT TO COMPENSATE FOR CONTINUING
INCREASES IN OTHER CATEGORIES. EFFECT OF THESE REDUCTIONS NOW
APPEARS TO HAVE RUN ITS COURSE, AND FURTHER SIGNIFICANT REDUCTIONS
THIS CATEGORY PROBABLY NOT POSSIBLE. SOME INTERMITTANT SHORTAGES
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ALREADY APPEARING, INCLUDING BEEF, POULTRY, POTATOES AND ONIONS,

BUT GOA INSISTS THESE DUE TO FACTORS OTHER THAN PRICE POLICY AND ARE ON VERGE OF SOLUTION.

4. WHILE OTHER CATEGORIES IN INDEX HAVE CONTINUED TO SHOW INCREASES RATE OF INCREASE SLOWED SHARPLY IN JULY AND AUGUST. ON AUG 24, GOA ANNOUNCED 15 PERCENT ACROSS THE BOARD REDUCTION IN RETAIL CLOTHING PRICES; THIS SHOULD HELP HOLD DOWN INDEX IN SEPTEMBER.

5. GOA NOW REFERRING TO SECOND, MORE FLEXIBLE PHASE OF PRICE POLICY. SPECIAL COMMITTEES FORMED FOR EACH INDUSTRIAL SECTOR TO EXAMINE REQUESTS TO RAISE PRICES, AND IT APPEARS LIKELY THAT AT LEAST SOME INCREASES WILL EVENTUALLY BE PERMITTED. ONE PROBABLE JUSTIFICATION FOR SUCH INCREASES WILL BE HIGHER COSTS OF IMPORTED RAW MATERIALS AND OTHER INPUTS. AT SAME TIME, LABOR CONFEDERATION HAS ANNOUNCED INTENTION TO ABROGATE IN DECEMBER EXISTING CONTRACTS, NEGOTIATED IN JAN 73, WITH A VIEW TOWARDS RENEGOTIATING WAGES TO MAINTAIN PARITY WITH PRICES.
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